

SHIRE OF MORAWA
BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

TABLE OF CONTENTS

Statement of Comprehensive Income by Nature or Type	2
Statement of Comprehensive Income by Program	3
Statement of Cash Flows	5
Rate Setting Statement	6
Notes to and Forming Part of the Budget	7 to 36
Supplementary Information	37

SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
Revenue				
Rates	8	1,654,224	1,450,695	1,547,652
Operating grants, subsidies and contributions		1,914,295	1,141,530	1,101,808
Fees and charges	14	866,464	734,595	946,821
Service charges	11	0	0	0
Interest earnings	2(a)	237,500	171,813	240,500
Other revenue	2(a)	130,737	202,675	106,032
		<u>4,803,220</u>	<u>3,701,308</u>	<u>3,942,813</u>
Expenses				
Employee costs		(1,664,521)	(1,964,108)	(1,681,451)
Materials and contracts		(1,571,884)	(2,303,476)	(1,799,709)
Utility charges		(341,848)	(292,392)	(390,138)
Depreciation on non-current assets	2(a)	(1,683,278)	(1,713,603)	(1,386,877)
Interest expenses	2(a)	(22,704)	(16,075)	(15,460)
Insurance expenses		(178,523)	(214,099)	(190,362)
Other expenditure		(169,465)	(141,260)	(583,398)
		<u>(5,632,223)</u>	<u>(6,645,013)</u>	<u>(6,047,395)</u>
		(829,003)	(2,943,705)	(2,104,582)
Non-operating grants, subsidies and contributions		3,738,832	2,392,539	5,518,686
Profit on asset disposals	6	1,990	0	0
Loss on asset disposals	6	(20,249)	(41,791)	(40,944)
NET RESULT		2,891,570	(592,957)	3,373,160
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u>2,891,570</u>	<u>(592,957)</u>	<u>3,373,160</u>

Notes:

All fair value adjustments relating to remeasurement of financial assets at fair value through profit or loss (if any) and changes on revaluation of non-current assets are impacted upon by external forces and not able to be reliably estimated at the time of budget adoption.

Fair value adjustments relating to the re-measurement of financial assets at fair value through profit or loss will be assessed at the time they occur with compensating budget amendments made as necessary.

It is anticipated, in all instances, any changes upon revaluation of non-current assets will relate to non-cash transactions and as such, have no impact on this budget document.

This statement is to be read in conjunction with the accompanying notes.

SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
Revenue (Refer Notes 1,2,8,10 to 14)				
Governance		10	379	8,510
General purpose funding		3,437,377	2,375,239	2,532,930
Law, order, public safety		44,720	47,691	44,420
Education and welfare		45,500	17,905	48,600
Housing		137,711	46,856	122,901
Community amenities		461,431	538,402	597,267
Recreation and culture		96,031	55,654	35,531
Transport		264,109	256,610	242,138
Economic services		185,099	210,212	209,899
Other property and services		123,232	93,296	92,617
		<u>4,803,220</u>	<u>3,701,308</u>	<u>3,942,813</u>
Expenses Excluding Finance Costs Refer Notes 1, 2 & 15)				
Governance		(485,346)	(443,014)	(499,849)
General purpose funding		(198,855)	(183,504)	(193,557)
Law, order, public safety		(147,658)	(146,204)	(148,151)
Health		(154,150)	(257,600)	(211,940)
Education and welfare		(299,878)	(284,634)	(769,575)
Housing		(156,049)	(106,299)	(156,904)
Community amenities		(616,433)	(478,630)	(515,784)
Recreation and culture		(1,143,712)	(1,097,533)	(1,088,407)
Transport		(1,751,425)	(3,022,338)	(1,798,836)
Economic services		(628,406)	(531,711)	(627,851)
Other property and services		(27,607)	(77,471)	(21,081)
		<u>(5,609,519)</u>	<u>(6,628,938)</u>	<u>(6,031,935)</u>
Finance Costs (Refer Notes 2 & 9)				
Housing		(22,704)	(16,075)	(15,460)
		<u>(22,704)</u>	<u>(16,075)</u>	<u>(15,460)</u>
Non-operating Grants, Subsidies and Contributions				
Health		0	0	5,000
Education and welfare		0	0	400,000
Recreation and culture		250,000	205,105	228,945
Transport		3,326,232	2,102,460	2,936,782
		<u>3,738,832</u>	<u>2,392,539</u>	<u>5,518,686</u>

SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
Profit/(Loss) On				
Disposal Of Assets (Refer Note 6)				
Health		0	(14,421)	(15,009)
Recreation and culture		0	(14,667)	0
Transport		(16,638)	0	(18,138)
Other property and services		(1,621)	(12,703)	(7,797)
		<u>(18,259)</u>	<u>(41,791)</u>	<u>(40,944)</u>
NET RESULT		2,891,570	(592,957)	3,373,160
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u>2,891,570</u>	<u>(592,957)</u>	<u>3,373,160</u>

Notes:

All fair value adjustments relating to remeasurement of financial assets at fair value through profit or loss (if any) and changes on revaluation of non-current assets are impacted upon by external forces and not able to be reliably estimated at the time of budget adoption.

Fair value adjustments relating to the remeasurement of financial assets at fair value through profit or loss will be assessed at the time they occur with compensating budget amendments made as necessary.

It is anticipated, in all instances, any changes upon revaluation of non-current assets will relate to non-cash transactions and as such, have no impact on this budget document.

This statement is to be read in conjunction with the accompanying notes.

**SHIRE OF MORAWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	NOTE	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,804,224	1,316,306	1,599,657
Operating grants, subsidies and contributions		2,634,295	524,226	1,175,308
Fees and charges		866,464	734,595	976,932
Service charges		0	0	0
Interest earnings		237,500	171,813	240,500
Goods and services tax		502,055	564,038	465,000
Other revenue		130,737	202,675	106,032
		<u>6,175,275</u>	<u>3,513,653</u>	<u>4,563,429</u>
Payments				
Employee costs		(1,625,407)	(1,893,580)	(1,653,447)
Materials and contracts		(1,366,829)	(2,289,623)	(1,712,451)
Utility charges		(341,848)	(292,392)	(378,933)
Interest expenses		(22,704)	(21,812)	(11,960)
Insurance expenses		(178,523)	(214,099)	(190,362)
Goods and services tax		(500,000)	(556,523)	(422,520)
Other expenditure		(169,465)	(141,260)	(580,609)
		<u>(4,204,776)</u>	<u>(5,409,289)</u>	<u>(4,950,282)</u>
Net cash provided by (used in) operating activities	3(b)	<u>1,970,499</u>	<u>(1,895,636)</u>	<u>(386,853)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of land held for resale	5	0	0	0
Payments for purchase of property, plant & equipment	5	(1,259,304)	(570,399)	(1,850,466)
Payments for construction of infrastructure	5	(5,443,746)	(1,851,430)	(6,035,993)
Non-operating grants, subsidies and contributions used for the development of assets		3,738,832	2,392,539	5,518,686
Proceeds from sale of plant & equipment	6	135,500	35,909	77,091
Net cash provided by (used in) investing activities		<u>(2,828,718)</u>	<u>6,619</u>	<u>(2,290,682)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures	7	(68,175)	(76,622)	(70,783)
Advances to community groups		0	0	0
Proceeds from self supporting loans		0	0	0
Proceeds from new debentures	7	0	350,000	0
Net cash provided by (used in) financing activities		<u>(68,175)</u>	<u>273,378</u>	<u>(70,783)</u>
Net increase (decrease) in cash held		(926,394)	(1,615,639)	(2,748,318)
Cash at beginning of year		6,299,087	7,914,726	7,915,790
Cash and cash equivalents at the end of the year	3(a)	<u>5,372,693</u>	<u>6,299,087</u>	<u>5,167,472</u>

This statement is to be read in conjunction with the accompanying notes.

**SHIRE OF MORAWA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017**

	NOTE	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
Net current assets at start of financial year - surplus/(deficit)	4	1,088,808	1,502,728	1,401,033
Revenue from operating activities (excluding rates and non-operating grants, subsidies and contributions)	1,2			
Governance		10	379	8,510
General purpose funding		1,786,445	838,630	985,278
Law, order, public safety		44,720	47,691	44,420
Health		8,000	59,064	8,000
Education and welfare		45,500	17,905	48,600
Housing		137,711	46,856	122,901
Community amenities		461,431	538,402	597,267
Recreation and culture		96,031	55,654	35,531
Transport		265,609	256,610	242,138
Economic services		185,099	210,212	209,899
Other property and services		123,722	93,296	92,617
		<u>3,154,278</u>	<u>2,164,699</u>	<u>2,395,161</u>
Expenditure from operating activities	1,2			
Governance		(485,346)	(443,014)	(499,849)
General purpose funding		(198,855)	(183,504)	(193,557)
Law, order, public safety		(147,658)	(146,204)	(148,151)
Health		(154,150)	(272,021)	(226,949)
Education and welfare		(299,878)	(284,634)	(769,575)
Housing		(178,753)	(122,374)	(172,364)
Community amenities		(616,433)	(478,630)	(515,784)
Recreation and culture		(1,143,712)	(1,112,200)	(1,088,407)
Transport		(1,769,563)	(3,022,338)	(1,816,974)
Economic services		(628,406)	(531,711)	(627,851)
Other property and services		(29,718)	(90,174)	(28,878)
		<u>(5,652,472)</u>	<u>(6,686,804)</u>	<u>(6,088,339)</u>
Operating activities excluded from budget				
(Profit)/Loss on asset disposals	6	18,259	41,791	40,944
Depreciation on assets	2(a)	1,683,278	1,713,603	1,386,877
Movement in Leave Reserve (added back)			9,935	0
Movement in employee benefit provisions (non-current)		0	6,826	0
Amount attributable to operating activities		<u>292,151</u>	<u>(1,247,222)</u>	<u>(864,324)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		3,738,832	2,392,539	5,518,686
Purchase land held for resale	5	0	0	0
Purchase property, plant and equipment	5	(1,259,304)	(570,399)	(1,850,466)
Purchase and construction of infrastructure	5	(5,443,746)	(1,851,430)	(6,035,993)
Proceeds from disposal of assets	6	135,500	35,909	77,091
Amount attributable to investing activities		<u>(2,828,718)</u>	<u>6,619</u>	<u>(2,290,682)</u>
FINANCING ACTIVITIES				
Repayment of debentures	7	(68,175)	(76,622)	(70,783)
Proceeds from new debentures	7	0	350,000	0
Proceeds from self supporting loans		0	0	0
Transfers to cash backed reserves (restricted assets)	9	(519,121)	(618,320)	(709,511)
Transfers from cash backed reserves (restricted assets)	9	1,472,931	1,137,744	2,387,648
Amount attributable to financing activities		<u>885,635</u>	<u>792,802</u>	<u>1,607,354</u>
Budgeted deficiency before general rates		<u>(1,650,932)</u>	<u>(447,801)</u>	<u>(1,547,652)</u>
Estimated amount to be raised from general rates	8	1,650,932	1,536,609	1,547,652
Net current assets at end of financial year - surplus/(deficit)	4	<u>0</u>	<u>1,088,808</u>	<u>0</u>

This statement is to be read in conjunction with the accompanying notes.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The budget has been prepared in accordance with applicable Australian Accounting Standards (as they apply to local government and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this budget are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the budget has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

The Local Government Reporting Entity

All funds through which the Shire controls resources to carry on its functions have been included in the financial statements forming part of this budget.

In the process of reporting on the local government as a single unit, all transactions and balances between those Funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 16 to this budget document.

(b) 2015/16 Actual Balances

Balances shown in this budget as 2015/16 Actual are as forecast at the time of budget preparation and are subject to final adjustments.

(c) Rounding Off Figures

All figures shown in this budget, other than a rate in the dollar, are rounded to the nearest dollar.

(d) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the Shire obtains control over the assets comprising the contributions.

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

(f) Superannuation

The Shire contributes to a number of superannuation funds on behalf of employees.

All funds to which the Shire contributes are defined contribution plans.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are shown as short term borrowings in current liabilities in Note 4 - Net Current Assets.

(h) Trade and Other Receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

(i) Inventories

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land Held for Resale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for sale is classified as current except where it is held as non-current based on Council's intentions to release for sale.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Fixed Assets

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Initial Recognition and Measurement between Mandatory Revaluation Dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation of the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land Under Roads

In Western Australia, all land under roads is Crown land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Fixed Assets (Continued)

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

Major depreciation periods used for each class of depreciable asset are:

Buildings	40 to 100 years
Furniture and Equipment	5 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets clearing and earthworks construction/road base original surfacing and major re-surfacing - bituminous seals	not depreciated 40 years 20 years
Gravel roads clearing and earthworks construction/road base gravel sheet	not depreciated 40 years 12 years
Formed roads (unsealed) clearing and earthworks construction/road base	not depreciated 50 years
Footpaths - slab	50 years
Drainage	50 years
Other Infrastructure	10 to 50 years
Parks and Ovals	50 years
Airfields	50 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the period which they arise.

Capitalisation Threshold

Expenditure under the thresholds listed below is not capitalised. Rather, it is recorded on an asset inventory listing.

- Land	Nil (All Land Capitalised)
- Buildings	5,000
- Plant & Equipment	5,000
- Furniture & Equipment	5,000
- Infrastructure	5,000

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Fair Value of Assets and Liabilities

When performing a revaluation, the Shire uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Fair Value Hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Fair Value of Assets and Liabilities (Continued)

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability and considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The mandatory measurement framework imposed by the *Local Government (Financial Management) Regulations* requires, as a minimum, all assets to be revalued at least every 3 years. Relevant disclosures, in accordance with the requirements of Australian Accounting Standards have been made in the budget as necessary.

(l) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Shire becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial Instruments (Continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short term profit taking. Assets in this category are classified as current assets. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Shire management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available for sale financial assets are classified as non-current.

(v) Financial liabilities

Non-derivative financial liabilities (excl. financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in the profit or loss.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Instruments (Continued)

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights for receipt of cash flows expire or the asset is transferred to another party, whereby the Shire no longer has any significant continual involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(m) Impairment of Assets

In accordance with Australian Accounting Standards the Shire assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (e.g. AASB 116) whereby any impairment loss of a revaluation decrease in accordance with that other standard.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of Assets (Continued)

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

At the time of adopting this budget, it is not possible to estimate the amount of impairment losses (if any) as at 30 June 2017.

In any event, an impairment loss is a non-cash transaction and consequently, has no impact on this budget document.

(n) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

(o) Employee Benefits

Short-Term Employee Benefits

Provision is made for the Shire's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Shire's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

(q) Provisions

Provisions are recognised when the Shire has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(r) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(s) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 19.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Shire's intentions to release for sale.

(u) Comparative Figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current budget year.

(v) Budget Comparative Figures

Unless otherwise stated, the budget comparative figures shown in this budget document relate to the original budget estimate for the relevant item of disclosure.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

2. REVENUES AND EXPENSES	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
(a) Net Result			
The net result includes:			
(i) Charging as an expense:			
Auditors remuneration			
Audit services	25,937	17,713	25,937
Other services	23,000	1,000	17,000
Depreciation By Program			
Governance	26,611	26,626	16,889
Law, order, public safety	35,393	35,412	35,685
Health	20,697	19,986	23,567
Education and welfare	16,386	16,394	18,964
Housing	82,131	85,956	81,010
Community amenities	81,941	81,986	49,253
Recreation and culture	287,996	287,642	290,657
Transport	762,146	762,564	563,609
Economic services	138,513	138,589	60,486
Other property and services	231,464	258,448	246,757
	<u>1,683,278</u>	<u>1,713,603</u>	<u>1,386,877</u>
Depreciation By Asset Class			
Land and buildings	452,294	460,442	466,879
Furniture and equipment	4,231	4,307	27,897
Plant and equipment	274,044	278,981	262,359
Roads	723,794	700,493	508,714
Footpaths	20,612	20,983	10,498
Drainage	0	36,340	0
Parks & Ovals	7,632	7,770	7,779
Sewerage	72,248	73,550	40,806
Aerodromes	12,279	12,500	0
Playground Equipment	5,206	5,300	5,306
Infrastructure Other	110,938	112,937	56,639
	<u>1,683,278</u>	<u>1,713,603</u>	<u>1,386,877</u>
Interest Expenses (Finance Costs)			
- Debentures (<i>refer note 7(a)</i>)	22,704	16,075	15,460
	<u>22,704</u>	<u>16,075</u>	<u>15,460</u>
(ii) Crediting as revenues:			
Interest Earnings			
Investments			
- Reserve funds	200,000	117,632	200,000
- Other funds	10,000	17,629	10,000
Other interest revenue (<i>refer note 12</i>)	27,500	36,552	30,500
	<u>237,500</u>	<u>171,813</u>	<u>240,500</u>
(iii) Other Revenue			
Reimbursements and recoveries	59,682	130,109	39,977
Other	71,055	72,566	66,055
	<u>130,737</u>	<u>202,675</u>	<u>106,032</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.

A VISION FOR MORAWA

MORAWA IS 'BREAKING NEW GROUND'

Our vision is for Morawa to become the future regional centre of the North Midlands, the primary industry hub of the mid-west and a **centre of excellence in research, education and training**.

It will be recognised as a welcoming, safe and attractive town with resourceful and colourful personalities. As a **proud and inclusive** community, our people will remain faithful to the rural values and lifestyle whilst embracing Morawa's rewarding career prospects and exceptional health and social facilities and quality, affordable housing.

Morawa will entice our youth to building futures in the town, for our elderly to age in place, and encourage city dwellers and transient workers to contemplate Morawa as a future home for their families.

Morawa's re-energised town centre and inviting mainstreet will signal a return to the golden days with commercial and retail businesses run by locals, and community organisations operating alongside government agencies supporting the health and well-being of the region.

Our heritage buildings will come to life through contemporary social and cultural festivities year round. Careful management will ensure Morawa's **well utilised recreational facilities** remain the lifeblood of the community, complemented by a network of natural open spaces for people all ages to enjoy.

Sustained by the town's agricultural, mining and energy industries as well as the diverse education and training opportunities; **Morawa's economy will remain strong**. Our people will be employed by spirited, **ground breaking** and progressive businesses, whilst new partnerships will attract investment and enhance Morawa's growth.

As the innovation hub of the North Midlands, Morawa will also service, and be serviced by, a network of self-supporting satellite communities. An efficient bus network and quality roads will be used by students, workers, elderly, tourist, farmers, miners and other residents between Morawa and the surrounding towns.

Strong and committed partnerships with our neighbouring towns, coupled with friendly 'country town rivalries' will bind us with our neighbours and position the North Midlands district as a strategic and formidable West Australian region.

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017**

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

GOVERNANCE

Objective:

To provide a management & administrative structure to service Council & the community.

Activities:

Includes members of Council, Civic Functions & Public Relations, Council Elections, Training/Education.

GENERAL PURPOSE FUNDING

Objective:

To manage Council's finances.

Activities:

Includes Rates, Loans, Investments & Grants.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide, develop & manage services in response to community needs.

Activities:

Includes Emergency Services & Animal Control.

HEALTH

Objective:

To provide, develop & manage services in response to community needs.

Activities:

Includes Environmental Health, Medical & Health facilities.

EDUCATION AND WELFARE

Objective:

To provide, develop & manage services in response to community needs.

Activities:

Includes Education, Welfare & Children's Services.

HOUSING

Objective:

To ensure quality housing and appropriate infrastructure is maintained.

Activities:

Includes Staff & Other Housing.

COMMUNITY AMENITIES

Objective:

To provide, develop & manage services in response to community needs.

Activities:

Includes Refuse Collection, Sewerage, Cemetery, Building Control, Town Planning & Townscape.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

RECREATION AND CULTURE

Objective:

To ensure the recreational & cultural needs of the community are met.

Activities:

Includes Pools, Halls, Library, Oval, Parks & Gardens & Recreational Facilities.

TRANSPORT

Objective:

To effectively manage transport infrastructure.

Activities:

Includes Roads, Footpaths, Private Works, Machine Operating Costs, Outside Wages & Airstrip.

ECONOMIC SERVICES

Objective:

To foster economic development, tourism & rural services in the district.

Activities:

Includes Tourism, Rural Services, Economic Development & Caravan Park.

OTHER PROPERTY & SERVICES

Objective:

To provide control accounts and reporting facilities for all other operations.

Activities:

Includes Private Works, Public Works Overheads, Plant Operating Costs, Administration Overheads and Unclassified Items.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

3. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Estimated cash at the end of the reporting period is as follows:

	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
Cash - unrestricted	17,981	(9,435)	16,524
Cash - restricted	<u>5,354,712</u>	<u>6,308,522</u>	<u>5,150,948</u>
	<u><u>5,372,693</u></u>	<u><u>6,299,087</u></u>	<u><u>5,167,472</u></u>

The following restrictions have been imposed by regulation or other externally imposed requirements:

Leave Reserve	261,740	286,652	339,820
Plant Reserve	938,842	941,344	652,553
Building Reserve	101,551	79,045	79,104
Economic Development Reserve	111,460	108,035	109,251
Community Development Reserve	1,020,235	1,376,593	1,167,299
Sewerage Reserve	219,186	144,602	162,021
Unspent Grants and Contributions Reserve	40,178	92,743	84,938
Morawa Community Trust Reserve	86,406	54,705	1,165
Morawa Community Future Funds Reserve	2,150,779	2,140,600	2,165,281
Refuse Transfer Station Reserve	138,780	134,515	106,840
Aged Care Units Reserve	9,311	9,025	9,127
ST-N/Midlands Solar Thermal Power Reserve	28,146	550,687	56,845
ST-Morawa Revitalisation Reserve	0	173,736	0
Business Units Reserve	83,182	61,240	61,704
Legal Fees Reserve	20,478	15,000	15,000
Road Reserve	144,438	140,000	140,000
User Defined 17	0	0	0
User Defined 18	0	0	0
User Defined 19	0	0	0
User Defined 20	0	0	0
	<u><u>5,354,712</u></u>	<u><u>6,308,522</u></u>	<u><u>5,150,948</u></u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	2,891,570	(592,957)	3,373,160
Depreciation	1,683,278	1,713,603	1,386,877
(Profit)/loss on sale of asset	18,259	41,791	40,944
Loss on revaluation of non current assets	0	0	0
(Increase)/decrease in receivables	872,055	(744,178)	170,616
(Increase)/decrease in inventories	0	8,789	2,050
Increase/(decrease) in payables	209,257	16,690	208,186
Increase/(decrease) in employee provisions	34,912	53,165	(50,000)
Grants/contributions for the development of assets	<u>(3,738,832)</u>	<u>(2,392,539)</u>	<u>(5,518,686)</u>
Net Cash from Operating Activities	<u><u>1,970,499</u></u>	<u><u>(1,895,636)</u></u>	<u><u>(386,853)</u></u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

3. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank overdraft limit	800,000	800,000	0
Credit card limit	15,000	15,000	20,000
Credit card balance at balance date	0	(1,086)	0
Total Amount of Credit Unused	<u>815,000</u>	<u>813,914</u>	<u>20,000</u>
Loan Facilities			
Loan facilities in use at balance date	<u>451,164</u>	<u>519,339</u>	<u>175,178</u>
Unused loan facilities at balance date	<u>0</u>	<u>0</u>	<u>0</u>

	Note	2016/17 Budget \$	2015/16 Actual \$
4. NET CURRENT ASSETS			

Composition of estimated net current assets

CURRENT ASSETS

Cash - unrestricted	3(a)	17,981	(9,447)
Cash - restricted reserves	3(a)	5,354,712	6,308,522
Receivables		523,355	1,395,410
Inventories		1,335	1,335
		<u>5,897,383</u>	<u>7,695,820</u>

LESS: CURRENT LIABILITIES

Trade and other payables		(449,010)	(239,753)
Long term borrowings		(68,175)	(60,904)
Provisions		(355,401)	(345,401)
		<u>(872,586)</u>	<u>(646,058)</u>

Unadjusted net current assets

5,024,797 **7,049,762**

Differences between the net current assets at the end of each financial year in the rate setting statement and net current assets detailed above arise from amounts which have been excluded when calculating the budget deficiency in accordance with FM Reg 32 as movements for these items have been funded within the budget estimates.

These differences are disclosed as adjustments below.

Adjustments

Less: Cash - restricted reserves	3(a)	(5,354,712)	(6,308,522)
Less: Land held for resale		0	0
Less: Current loans - clubs / institutions		0	0
Add: Current portion of debentures		68,175	60,904
Add: Current liabilities not expected to be cleared at end of year		261,740	286,652
Trust Imbalance		0	12
Adjusted net current assets - surplus/(deficit)		<u><u>0</u></u>	<u><u>1,088,808</u></u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

5. ACQUISITION OF ASSETS

The following assets are budgeted to be acquired during the year.

Asset Class	Reporting Program											2016/17 Budget Total \$	2015/16 Actual Total \$
	Governance \$	General Purpose Funding \$	Law, Order, Public Safety \$	Health \$	Education and Welfare \$	Housing \$	Community Amenities \$	Recreation and Culture \$	Transport \$	Economic Services \$	Other Property and Services \$		
<i>Property, Plant and Equipment</i>													
Land and buildings	539,434					30,000	300,000					869,434	463,151
Furniture and equipment											2,870	2,870	10,691
Plant and equipment									237,000	50,000	100,000	387,000	96,557
	539,434	0	0	0	0	30,000	300,000	0	237,000	50,000	102,870	1,259,304	570,399
<i>Infrastructure</i>													
Roads									1,728,946			1,728,946	1,017,688
Footpaths												0	2,075
Airfields									2,600,000			2,600,000	0
Parks and ovals												0	15,970
Sewerage												0	33,761
Other Infrastructure								950,000		164,800		1,114,800	781,936
	0	0	0	0	0	0	0	950,000	4,328,946	164,800	0	5,443,746	1,851,430
Total Acquisitions	539,434	0	0	0	0	30,000	300,000	950,000	4,565,946	214,800	102,870	6,703,050	2,421,829

A detailed breakdown of acquisitions on an individual asset basis can be found in the supplementary information attached to this budget document as follows:

- 2016/17 Capital Expenditure and Income Work Paper
- 2016/17 Capital Expenditure Funding Sources
- 2016/17 Capital Works Program

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

6. DISPOSALS OF ASSETS

The following assets are budgeted to be disposed of during the year.

<u>By Program</u>	2016/17 Budget			
	Net Book Value	Sale Proceeds	Profit	Loss
	\$	\$	\$	\$
Transport				
(Asset 45) 1999 Ford Courier Tray Top	0	1,500	1,500	0
(Asset 272) - Backhoe Case P192	46,300	35,000	0	(11,300)
(Asset 476) - Ford Ranger -PWS	28,838	22,000	0	(6,838)
Other Property and Services				
(Asset 600) Kluger AWD V6 Wagon - CEO	44,111	42,000	0	(2,111)
(Asset 580) 2013 - Nissan Patrol Wagon - EM	34,510	35,000	490	0
	153,759	135,500	1,990	(20,249)

<u>By Class</u>	2016/17 Budget			
	Net Book Value	Sale Proceeds	Profit	Loss
	\$	\$	\$	\$
Plant and Equipment				
(Asset 45) 1999 Ford Courier Tray Top	0	1,500	1,500	0
(Asset 272) - Backhoe Case P192	46,300	35,000	0	(11,300)
(Asset 476) - Ford Ranger -PWS	28,838	22,000	0	(6,838)
(Asset 600) Kluger AWD V6 Wagon - CEO	44,111	42,000	0	(2,111)
(Asset 580) 2013 - Nissan Patrol Wagon - EM	34,510	35,000	490	0
	153,759	135,500	1,990	(20,249)

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017**

7. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Movement in debentures and interest between the beginning and the end of the current financial year.

Particulars	Principal 1-Jul-16	New Loans	Principal Repayments		Principal Outstanding		Interest Repayments	
			2016/17 Budget \$	2015/16 Actual \$	2016/17 Budget \$	2015/16 Actual \$	2016/17 Budget \$	2015/16 Actual \$
Housing								
Loan 133 - GEHA House	102,614	0	31,993	29,967	70,621	102,614	6,206	7,237
Loan 134 - 2 Broad Street	72,564	0	24,158	21,379	48,406	72,564	3,090	1,155
Loan 135 - Staff Housing	0	0	0	19,437	0	0	0	806
Loan 136 - 24 Harley Street - Staff Housing	344,161	0	12,024	5,839	332,137	344,161	13,408	6,877
	519,339	0	68,175	76,622	451,164	519,339	22,704	16,075

All debenture repayments will be financed by general purpose revenue.

(b) New Debentures - 2016/17

There are no new debentures for the period 2016/17

(c) Unspent Debentures

Council had no unspent debenture funds as at 30th June 2016 nor is it expected to have unspent debenture funds as at 30th June 2017.

(d) Overdraft

Council has not utilised an overdraft facility during the 2015/16 financial year although a temporary overdraft facility of \$800,000 with Bankwest does exist. It is anticipated that some of this facility will be required to be utilised during 2016/17.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

8. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	2016/17 Budgeted Rate Revenue \$	2016/17 Budgeted Interim Rates \$	2016/17 Budgeted Back Rates \$	2016/17 Budgeted Total Revenue \$	2015/16 Actual \$
Differential general rate or general rate								
GRV Residential/Commercial	0.074147	268	2,912,592	215,960	0	0	215,960	209,400
UV Rural	0.022574	204	57,874,600	1,306,461	0	0	1,306,461	1,231,401
UV Mining	0.289681	16	469,309	135,950	0	0	135,950	132,474
Sub-Totals		488	61,256,501	1,658,371	0	0	1,658,371	1,573,275
Minimum payment	Minimum \$							
GRV Residential/Commercial	279	48	39,055	13,392	0	0	13,392	13,558
UV Rural	279	7	55,400	1,953	0	0	1,953	1,627
UV Mining	656	11	10,939	7,216	0	0	7,216	7,872
Sub-Totals		66	105,394	22,561	0	0	22,561	23,057
Discounts (Note 13)							(30,000)	(59,723)
Total amount raised from general rates							1,650,932	1,536,609
Specified area rates (Note 10)							0	0
Rates Written Off							(2,500)	(10,750)
Ex-Gratia Rates							5,792	5,624
Movement in Excess Rates							0	(80,788)
Total Rates							1,654,224	1,450,695

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017**

8(a). RATING INFORMATION - 2016/17 FINANCIAL YEAR (CONTINUED)

All land except exempt land in the Shire of Morawa is rated according to its Gross Rental Value (GRV) in townsites or Unimproved Value (UV) in the remainder of the Shire of Morawa.

The general rates detailed above for the 2016/17 financial year have been determined by Council on the basis of raising the revenue required to meet the deficiency between the total estimated expenditure proposed in the budget and the estimated revenue to be received from all sources other than rates and also considering the extent of any increase in rating over the level adopted in the previous year.

The minimum rates have been determined by Council on the basis that all ratepayers must make a reasonable contribution to the cost of the Local Government services/facilities.

OBJECTIVES AND REASONS FOR DIFFERENTIAL RATING

To provide equity in the rating of properties across the Shire the following rate categories have been determined for the implementation of differential rating.

Differential General Rate

Description	Characteristics	Objects	Reasons
UV RURAL	Pastoral and Agricultural	To raise revenue that Council believes is required to operate efficiently and to provide the diverse range of services and facilities.	The rate in \$ is set at a comparatively low amount is to offset the relatively high property valuations in this category.
UV MINING	Mining	To raise revenue that Council believes is required to operate efficiently and to provide the diverse range of services and facilities.	The rate in the mining sector is in proportion to the impact that the mining sector has on the overall works and services provided by the Shire in any given year as a result of mining operations.

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017**

8(a). RATING INFORMATION - 2016/17 FINANCIAL YEAR (CONTINUED)

Differential Minimum Payment

Description	Characteristics	Objects	Reasons
UV RURAL	Pastoral and Agricultural	To raise revenue that Council believes is required to operate efficiently and to provide the diverse range of services and facilities.	Minimum rates are set at a lower level to allow the Rural sector to be maintained throughout difficult times.
UV MINING	Mining	To raise revenue that Council believes is required to operate efficiently and to provide the diverse range of services and facilities.	Minimum rates for the mining sector are set to allow for a fair contribution of revenue for the Shire to achieve a sustainable level of revenue requirements.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

9. CASH BACKED RESERVES

	2016/17 Budget				2015/16 Actual				2015/16 Budget			
	Opening Balance \$	Transfer to \$	Transfer (from) \$	Closing Balance \$	Opening Balance \$	Transfer to \$	Transfer (from) \$	Closing Balance \$	Opening Balance \$	Transfer to \$	Transfer (from) \$	Closing Balance \$
Leave Reserve	286,652	14,088	(39,000)	261,740	276,716	9,936	0	286,652	276,716	63,104	0	339,820
Plant Reserve	941,344	198,998	(201,500)	938,842	840,201	184,740	(83,597)	941,344	840,201	193,761	(381,409)	652,553
Building Reserve	79,045	22,506	0	101,551	5,153	73,892	0	79,045	5,153	73,951	0	79,104
Economic Development Reserve	108,035	3,425	0	111,460	106,142	1,893	0	108,035	106,142	3,109	0	109,251
Community Development Reserve	1,376,593	43,642	(400,000)	1,020,235	1,372,142	24,451	(20,000)	1,376,593	1,372,142	40,183	(245,026)	1,167,299
Sewerage Reserve	144,602	74,584	0	219,186	121,894	22,708	0	144,602	121,894	40,127	0	162,021
Unspent Grants and Contributions Reser	92,743	2,940	(55,505)	40,178	982,918	15,206	(905,381)	92,743	982,919	28,786	(926,767)	84,938
Morawa Community Trust Reserve	54,705	31,701	0	86,406	10,944	53,861	(10,100)	54,705	10,944	321	(10,100)	1,165
Morawa Community Future Funds Reser	2,140,600	67,861	(57,682)	2,150,779	2,155,811	38,455	(53,666)	2,140,600	2,155,811	63,136	(53,666)	2,165,281
Refuse Transfer Station Reserve	134,515	4,265	0	138,780	196,097	3,418	(65,000)	134,515	196,097	5,743	(95,000)	106,840
Aged Care Units Reserve	9,025	286	0	9,311	8,867	158	0	9,025	8,867	260	0	9,127
ST-N/Midlands Solar Thermal Power Re	550,687	17,459	(540,000)	28,146	540,136	10,551	0	550,687	541,001	15,844	(500,000)	56,845
ST-Morawa Revitalisation Reserve	173,736	5,508	(179,244)	0	170,408	3,328	0	173,736	170,681	4,999	(175,680)	0
Business Units Reserve	61,240	21,942	0	83,182	40,517	20,723	0	61,240	40,517	21,187	0	61,704
Legal Fees Reserve	15,000	5,478	0	20,478	0	15,000	0	15,000	0	15,000	0	15,000
Road Reserve	140,000	4,438	0	144,438	0	140,000	0	140,000	0	140,000	0	140,000
	6,308,522	519,121	(1,472,931)	5,354,712	6,827,946	618,320	(1,137,744)	6,308,522	6,829,085	709,511	(2,387,648)	5,150,948

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017**

9. CASH BACKED RESERVES (Continued)

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside are as follows:

Purpose of the reserve

Leave Reserve	- to be used to fund leave requirements.
Plant Reserve	- to be used to upgrade, replace or purchase new plant and equipment.
Building Reserve	- to be used to refurbish, replace, extend or establish Council owned buildings.
Economic Development Reserve	- to be used to create economic development initiatives in the local community.
Community Development Reserve	- to be used for Community Projects within the Shire of Morawa
Sewerage Reserve	- to be used to repair, replace or extend the sewerage facility.
Unspent Grants and Contributions Reser	- to be used as a quarantine for unspent committed funds.
Morawa Community Trust Reserve	- to be used for Morawa Community Projects
Morawa Community Future Funds Reser	- to be used to provide an ongoing conduit for benefits to the people and environment of the Morawa Shire through the Sinosteel Midwest Corporation Morawa Future Fund Foundation Memorandum
Refuse Transfer Station Reserve	- to be used for Morawa Landfill closure and Refuse Transfer Station implementation project R4R funds 2011/12
Aged Care Units Reserve	- to be used for the refurbishment/repairs of the 4 Aged Care Units at the Morawa Perenjori Health Centre or to establish new Aged Care Units
ST-N/Midlands Solar Thermal Power Re	- Super Town funds to be used for the N/Midlands Solar Thermal Power feasibility Study Project
ST-Morawa Revitalisation Reserve	- Super Town funds to be used for the Morawa Town Revitalisation Project
Business Units Reserve	- to be utilised for the refurbishment/repairs of the current Units or to establish new Business Units
Legal Fees Reserve	- to be utilised for unforeseen Legal Fees.
Road Reserve	- to be utilised for future Road Construction and Maintenance.

The above Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

10. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

No Specified Area Rates will be levied in 2016/17.

11. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

The Shire of Morawa does not intend to raise any Service Charges during 2016/17.

12. INTEREST CHARGES AND INSTALMENTS - RATES AND SERVICE CHARGES - 2016/17 FINANCIAL YEAR

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option 1				
Single full payment	4/10/2016			11.00%
Option 2				
First Instalment	4/10/2016			11.00%
Second Instalment	24/01/2017	5	5.50%	11.00%
Option 3				
First Instalment	4/10/2016			
Second Instalment	29/11/2016	5	5.50%	11.00%
Third Instalment	24/01/2017	5	5.50%	11.00%
Fourth Instalment	21/03/2017	5	5.50%	11.00%

	2016/17 Budget Revenue \$	2015/16 Actual \$
Instalment Plan Admin Charge Revenue	1,500	930
Instalment Plan Interest Earned	3,500	3,026
Unpaid Rates Interest Earned	24,000	33,526
	29,000	37,482

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

13. PAYMENT DISCOUNTS, WAIVERS AND CONCESSIONS
- 2016/17 FINANCIAL YEAR

Rates Discounts

Rate or Fee and Charge to which Discount is Granted	Type	Disc % or Amount (\$)	2016/17 Budget \$	2015/16 Actual \$	Circumstances in which Discount is Granted
General Rates	Discount	2.50%	30,000	59,723	A discount of 2.50% of the current rates levied (excluding Rubbish and ESL) will be offered to rate payers whose payment of the full amount owing, including arrears, and service charges is received on or before Tuesday 4th October 2016 or 35 days after the date of service appearing on the rate notice, whichever is the later.
			30,000	59,723	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Disc % or Amount (\$)	2016/17 Budget \$	2015/16 Actual \$	Circumstances in which the Waiver or Concession is Granted	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
		0.00	0	0			
			0	0			

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

14. FEES & CHARGES REVENUE	2016/17 Budget \$	2015/16 Actual \$
Governance	10	143
General purpose funding	4,020	2,673
Law, order, public safety	2,245	3,694
Health	0	3,359
Education and welfare	2,000	0
Housing	136,761	45,056
Community amenities	461,431	450,343
Recreation and culture	35,531	37,267
Transport	10,422	427
Economic services	185,044	180,200
Other property and services	29,000	11,433
	<u>866,464</u>	<u>734,595</u>

15. ELECTED MEMBERS REMUNERATION	2016/17 Budget \$	2015/16 Actual \$
---	----------------------------------	----------------------------------

The following fees, expenses and allowances were paid to council members and/or the Mayor/President.

Meeting fees	64,000	64,125
President's allowance	17,000	17,000
Deputy President's allowance	4,250	4,125
Travelling expenses	200	0
Childcare Allowance	0	0
Telecommunications allowance	1,500	0
	<u>86,950</u>	<u>85,250</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

16. TRUST FUNDS

Funds held at balance date over which the local government has no control and which are not included in the financial statements are as follows:

Detail	Balance 1-Jul-16 \$	Estimated Amounts Received \$	Estimated Amounts Paid (\$)	Estimated Balance 30-Jun-17 \$
Housing Bonds	2,498	1,500	(500)	3,498
Youth Centre	865	0	(250)	615
Haulmore Trailers Land Dep	4,641	0	0	4,641
Local Drug Action Group	660	0	(240)	420
BCITF/BRB Training Levy	414	4,300	(4,714)	0
Morawa Oval Function Centre	1,762	0	0	1,762
DPI Licensing	0	428,000	(428,000)	0
	<u>10,841</u>	<u>433,800</u>	<u>(433,704)</u>	<u>10,937</u>

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017**

17. MAJOR LAND TRANSACTIONS

It is not anticipated any Major Land Transactions will occur in 2016/17.

18. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

It is not anticipated any trading undertakings or major trading undertakings will occur in 2016/17.

19. INTERESTS IN JOINT ARRANGEMENTS

The Shire of Morawa is involved in the following Joint Venture agreements with the Department of Housing & Works:

Lot 55 (33) Dreghorn Street - Units 1, 2 & 3.

The Shire of Morawa is finalising a Joint Venture agreement with the Department of Housing & Works to undertake the management of the 4 Units available for Senior/Aged Persons in the 16/17 financial year. Details of the new joint venture arrangement are as follows:

Lot 559 (48) Yewers Avenue - Units 1, 2, 3 & 4